

September 5th 2017

Legislative Assembly Committee on Environment and Planning
C/- environmentplanning@parliament.nsw.gov.au

Re: Inquiry into land release and housing supply in New South Wales

Dear Committee,

The Tenants Union of NSW is the peak body representing the interests of tenants and other renters in New South Wales. We have been invited to make a contribution to the Committee's inquiry into land release and housing supply. Unfortunately we are not in a position to make a detailed submission to this inquiry.

Our interest and expertise around land use, planning and zoning are linked to the circumstances by which relevant policies and instruments may improve material housing conditions for renters in New South Wales. In particular, our concern is that economically and socially disadvantaged households are able to access secure, liveable and affordable rental accommodation wherever they want or need to live. It is unclear whether this aligns with the NSW Government's current interest in land release and housing supply. A focus on land use, planning and zoning has been included under the banner of "boosting supply in Sydney" as one of the three pillars of the Government "package of measures designed to increase housing affordability across New South Wales", but it draws no particular attention to the relationships between housing supply and rents or the manner in which housing is produced in response to the needs of renter households.

There is reason to believe that, absent other reforms, increasing land release and housing supply will not put significant downward pressure on rents, or necessarily produce new housing with the interests of renter households in mind. Organisations such as Anglicare and National Shelter have been reporting on the relationship between rents and incomes over several years, noting a clear trend away from rental affordability in Sydney and across New South Wales in both the annual Rental Affordability Snapshot and bi-annual Rental Affordability Index.

More recently the Tenants Union of NSW has been monitoring data from the Rental Bond Board, which shows rents are not necessarily subdued by growth in private rental markets at the local level. This can be measured by considering the number of new rental bonds lodged at the local government level, indicating new tenancies established, and the median amount of those bonds, indicating four times the weekly rent payable for those new tenancies, which can then be considered against historical data.

It is significant that this clear trend of deteriorating rental affordability can be observed at a time when the supply of dwellings into the private rental market is outpacing supply generally. Comparing the increase in dwellings in New South Wales between the 2011 and 2016 Census counts shows an increase in the number of rented dwellings (83,870) that is higher than both owner-occupied (35,362) and vacant dwellings (19,403) combined. It is also nearly twice the growth in rented dwellings observed between the 2006 and 2011 Census events. This accelerated growth of rented dwellings cannot be attributed to new housing supply generally, as the vast majority of supply into the private rental market comes through the transfer of established dwellings that were previously owner-occupied. Lending and finance data from the Australian Bureau of Statistics indicates that only around 10% of money lent for residential property investment is put to the construction of new dwellings.

The supply of housing into the private rental market is demonstrably higher than the supply of housing generally. However the supply of rental housing that is affordable to low income households is clearly in decline. A significant piece of research undertaken by the Australian Housing and Urban Research Institute is exploring this, and the Tenants' Union recommends this research to the Committee's inquiry. The most recent report from this research is *Supply shortages and affordability outcomes in the private rental sector: short and longer term trends* (July 2015). It is available through the AHURI website.

The likely reason that increased and accelerated growth in the private rental market is not contributing to rental affordability lies, in our view, in the way that investment in housing is taxed. The treatment of negatively geared investments and capital gains tax discounts are outside of the Committee's – or for that matter the NSW Government's – direct spheres of influence, but will militate against any attempt to promote housing affordability through enhanced supply measures alone. This is because these tax settings encourage investment in properties that are expected to deliver the strongest and fastest capital gains, resulting in over-investment in mid- to high-end housing stock at the expense of low-value housing that simply disappears from the rental market.

It appears this can also be observed where new housing supply is being delivered. Another piece of research from the Australian Housing and Urban Research Institute – *Housing supply responsiveness in Australia: distribution, drivers and institutional settings* (May 2017) – has found that "most of the growth in housing supply has been taking place in mid-to-high price segments, rather than low price segments". It suggests that "targeted intervention" might be needed in order to ensure an adequate supply of affordable housing". The Tenants' Union recommends this research to the Committee's inquiry as well.

In the Tenants' Union's analysis, improved housing affordability will not be delivered simply by expediting the supply of new dwellings. That is not to say that new supply is not an important part of an overall solution to the housing affordability challenges currently facing Sydney and New South Wales. However, the affordability impact of new supply will remain minimal as long as dwellings are produced with current market conditions in mind. If affordability is the desired outcome, a proportion of all new supply must be set aside for rent at sub-market levels. This will no doubt produce its own challenges as far as the management and regulation of a sub-market sector goes, particularly as it interacts with and is influenced by the market more generally. But it is the bare minimum of interventions required at the State Government level if housing affordability is to be pursued.

Please do not hesitate to contact the Tenants' Union should you wish to discuss this correspondence further.

Yours sincerely,

Ned Cutcher
Senior Policy Officer